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16 March 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



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OFFICE OF CURRENT INTELLIGENCE

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T H E W E E K I N B R I E F**LAOS Page 1**

The failure of talks in Phnom Penh between Souvanna Phouma and Laotian Government representatives has removed any prospect for an early political resolution of the Laotian crisis. After agreeing in an earlier meeting with General Phoumi on the need for the prior creation of a neutral nations commission to end foreign interference in Laos, Souvanna, under strong Communist pressure, has reverted to insistence on a 14-nation conference as a prerequisite to any settlement. Insisting that he remains a free agent, Souvanna left on 15 March on a tour of various world capitals to seek support for his Communist-supported peace plan for Laos. The military situation, meanwhile, remains critical. [REDACTED]

CONGO Page 3

The Tananarive conference of Congolese leaders, in setting up a "Confederation of Central African States" to replace the Congo's present centralized constitution, has encouraged further fragmentation of the country. The conference was dominated throughout by Katanga President Tshombé, and its outcome reflects Tshombé's separatist policy. Meanwhile, the Gizenga regime, unable so far to obtain the material assistance it wants from the bloc or the UAR, has adopted a more moderate posture. Tensions between the UN and Congolese in Leopoldville have eased somewhat, but anti-Asian feeling may lead to incidents involving the Indian troops now arriving. [REDACTED]

FRANCE-ALGERIA Page 6

The French Government announced on 15 March that it is ready to begin formal negotiations with the Algerian rebels. The meeting of the Algerian provisional government, which began in Tunis on 14 March, is expected to formulate the rebels' response to the French position [REDACTED]

[REDACTED] The problem of implementation of a cease-fire remains, however, along with the crucial problem of determining sovereignty over the Sahara. [REDACTED]

CUBA Page 7

Cuba is reported to be encountering increasing agricultural difficulties and some shortages of basic foodstuffs. Dissidents are continuing sabotage and terrorist activities throughout the island. Argentina's rejected offer of "good offices" in easing US-Cuban tension has provoked considerable discussion among other Latin American governments as

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to whether the Cuban problem is one for collective hemisphere action rather than for single-country mediation. A number of leaders, including President Lleras of Colombia, have indicated agreement with the US position that collective action is required. [REDACTED]

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ARGENTINA Page 8

Dissatisfaction over political and economic conditions is growing in Argentina. Concerned over two electoral defeats of his party during February, President Frondizi wants to lessen the discontent through a number of moves, including termination of the unpopular security measures imposed to counter Peronista plotting. Such a step is opposed by the army. [REDACTED]

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MOSCOW REVIEWING CENSORSHIP PRACTICES. Page 9

Reports from Moscow that the Soviet Government is about to end formal censorship of foreign correspondents coincide with publication in Izvestia of charges that Soviet correspondents in the US are subjected to discriminatory restrictions and harassment. The Kremlin might expect not only to gain some propaganda advantage from relaxing censorship but also to induce the US to cut back its limitations on Soviet press representatives. Because of the many devices for indirect pressure and influence which would remain, the removal of formal censorship would not in fact lessen Moscow's control over outgoing press material. [REDACTED]

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WEST GERMANY AND THE FOREIGN AID QUESTION. Page 12

The West German cabinet appears to be nearing agreement that, in principle, future German contributions to aid for underdeveloped countries should be calculated at one percent of the annual gross national product. In 1960, one percent of the GNP was approximately \$700,000,000. In the past, Bonn preferred to direct most of its assistance through private commercial channels, and the slow pace at which monies are being collected and allocated for Bonn's special 1961 bilateral loan fund suggests that West Germans are still a long way from effectively assuming a substantially larger share of Western economic aid to underdeveloped areas. [REDACTED]

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EUROPEAN MONETARY DEVELOPMENTS Page 13

The recent revaluation of the West German mark and the Netherlands guilder reflects the continued disparity in economic trends between the generally booming Common Market (EEC) countries on the one side and the Anglo-Saxon countries on the other. Although the 5-percent currency appreciation was probably too small to have a sizable effect on the international payments situation, it is expected to improve the already favorable competitive position of France and Italy in the Common Market. This

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and the considerable anxiety in most EEC countries over inflationary pressures may result in accelerated tariff reductions within the Common Market and a more liberal tariff policy toward nonmembers.. [REDACTED]

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SOMALI REPUBLIC Page 14

Attacks from the leftist opposition are causing leaders of the moderate government of the Somali Republic to question their ability to survive the national referendum scheduled for next June. Italy, the former administering power, has not fulfilled its promises of economic and military aid. In an effort to demonstrate progress in economic development and defense, the Somali Government has therefore accepted aid from the UAR. So far this year Cairo has delivered two shipments of gift arms, signed trade and payments accords, extended development credits, and concluded a cultural agreement. [REDACTED]

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COMMUNAL AGITATION AGAIN PLAGUES CEYLON Page 15

The chronic dispute between Ceylon's two major ethnic and religious communities--the Buddhist Sinhalese majority and the Hindu Tamils--has flared up as a result of the Bandaranaike government's attempts since early January to enforce the adoption of Sinhalese as the sole official language. A protest campaign led by the Tamils' Federal party is gaining support and has virtually halted government operations in the Tamil-dominated northeast region of the island. The government has refused to yield to the Tamil demands, but probably will be forced to retreat if major violence occurs or if the large plantation labor force, predominantly Tamil and essential to the economy, joins the campaign. [REDACTED]

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EVACUATION OF CHINESE NATIONALIST IRREGULARS Page 16

Chiang Kai-shek's agreement to withdraw Chinese irregular forces from the Thai-Burmese-Laotian border area is unlikely to result in the evacuation of more than 3,000 troops. Most of these will come from the group that has been driven into Laos. However, those in the Thai-Burmese border area, numbering 3,000-4,000, will probably refuse to leave and will continue to create trouble for the Burmese Government. [REDACTED]

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ANTICHURCH CAMPAIGN IN HUNGARY Page 17

The Kadar regime, in order to avoid an increase in public hostility and an open break with the bishops, may have relaxed its crackdown on obstructionist elements within the Catholic Church. Priests and laymen are still being arrested, but the arrests apparently are not on a scale comparable to those four or five weeks ago. Budapest still desires to "regularize" relations with the United States. [REDACTED]

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ECONOMIC GROWTH OF EUROPEAN SATELLITES SLOWED IN 1960 . . Page 18

The rate of economic growth for the European satellites declined last year. A slowdown was anticipated after the high growth rate in 1959, but a generally poor agricultural year, together with investment and foreign trade problems, retarded growth beyond expectations. East Germany's 1960 record makes achievement of its Seven-Year Plan by 1965 more doubtful than ever. Accomplishments in the other countries were more in keeping with their objectives for 1965, but Bulgaria, Hungary, and Poland may find it difficult to maintain high rates of growth as repayments on foreign debts fall due. [REDACTED]

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NEW SOVIET TANKER PURCHASES. Page 20

Moscow continues to stress the building of a modern tanker fleet as an integral part of its program to expand Soviet oil sales in competition with Western suppliers. In addition to its domestic shipbuilding program and its acquisition from the European satellites, the USSR has purchased or contracted for more than 20 large, modern tankers from Western Europe, Japan, and Yugoslavia since it began the tanker procurement program last autumn. Delivery of these ships will boost the tonnage of the Soviet tanker fleet by a least 700,000 dead-weight tons (DWT); in mid-1960 the total fleet was only 990,000 DWT. Four nonbloc tankers have been acquired by the USSR thus far--two of 40,000 DWT from Japan and two from Yugoslavia and the Netherlands, each of 25,000 DWT. Prior to their delivery the Soviet fleet had only two tankers larger than 13,500 DWT. [REDACTED]

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SOCIALIZATION OF TIBET POSTPONED Page 21

Peiping has declared a three- to five-year postponement of further efforts to communize Tibet. The people have been told they may live their lives as before and practice their religion freely. Collectivized land in central Tibet is being returned to its owners. Internal difficulties--particularly the food and fuel shortages--and Tibetan recalcitrance have apparently motivated Peiping's decision. [REDACTED]

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BELGIAN PARLIAMENTARY ELECTIONS. Page 22

Belgian parliamentary elections, scheduled for 26 March, have been advanced by over a year in an effort to give the country a fresh start after the various crises occasioned by developments in the Congo. The chief issue in the campaign is the government's economic program. As a result of the 34-day strike in protest against the program's austerity aspects by the Socialist trade unions in December and January, the Socialists are likely to lose middle-class votes to the governing Social Christians and Liberals and to suffer left-wing defections to the small Communist party. [REDACTED]

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SPECIAL ARTICLES**MOSCOW AND A NUCLEAR TEST BAN Page 1**

When the nuclear test ban negotiations resume in Geneva on 21 March, the USSR will be faced with a dilemma arising from the conflict between Soviet and Chinese interests on the issue. Moscow's decision to continue the talks during the post-summit anti-American campaign last year, despite its withdrawal from the general disarmament talks, suggests that Khrushchev is still interested in exploring the possibility of agreement with the US and the UK. He is aware that the Soviet position in the negotiations will have an important bearing on the West's attitude toward high-level talks on other questions, and Soviet spokesmen have indicated that the USSR will adopt a flexible attitude on certain crucial issues. On the other hand, Khrushchev's freedom of action may be sharply limited by Peiping's determination to achieve a nuclear weapons capability and by its opposition to a test ban without an over-all prohibition and destruction of nuclear weapons. [REDACTED]

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INDIAN COMMUNIST PARTY SPLIT Page 7

Indian Communist leaders remain divided in spite of a series of party policy meetings in February. Their wrangling has been accentuated by the Sino-Soviet ideological dispute. Last fall's Moscow declaration, which was intended to reconcile the differences between Moscow and Peiping, merely compounded the confusion among Indian Communists. Leaders of the moderate and extremist factions of the Indian party are preparing for a fight at the party's national congress in April. This meeting, like those in February, probably will produce only a compromise designed to hold the party together for the national elections early next year. [REDACTED]

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BRIEFS

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****LAOS**

The failure of the 14-15 March talks in Phnom Penh between Souvanna Phouma and a delegation from the Boun Oum government has removed prospects for an early political resolution of the Laotian crisis. Souvanna, bending to strong Communist pressure, has reverted to insistence on a 14-nation conference as the prerequisite for any settlement, after agreeing in earlier talks with General Phoumi on the need for priority creation of a neutral nations commission to end foreign interference in Laos.

Souvanna left on 15 March to visit Rangoon, New Delhi, Paris, London, Moscow, Peiping, Hanoi, and possibly other capitals to gain further international support for his Communist-supported peace plan for Laos. Souvanna Phouma continues to insist that he is a free agent, and that his Xieng Khouang - based regime is independent of the pro-Communist Pathet Lao. It is becoming increasingly clear, however, that the ascendancy of Communist control over the anti-government political-military apparatus in Laos has virtually ended Souvanna's flexibility of action.

The atmosphere of rapprochement surrounding the Phoumi-Souvanna talks in Phnom Penh on 9-10 March and the communiqué which followed apparently was viewed in the bloc as a serious potential threat to the Communist effort to drive the hardest possible bargain in Laos--an effort pinned to a great extent on Souvanna's unwillingness to deal with Boun Oum and Phoumi. The communiqué, in addition to endorsing

an international commission for Laos, referred to an eventual meeting of representatives of the Vientiane government, Souvanna, and the Pathet Lao.

The reaction of the Communists was reflected in bloc broadcasts. Moscow reported that Phoumi had suffered a "diplomatic defeat" in coming to Phnom Penh and claimed that Souvanna stood firm in his demand for a 14-nation international conference. Both Peiping and Hanoi took a less optimistic tack and implied that Souvanna's position would be weak indeed were it not for support by the pro-Communist forces in Laos. The bloc avoided direct criticism of Souvanna, and most of these veiled warnings to him were conveyed by repeating Pathet Lao broadcasts such as one on 13 March which indicated that the Pathet Lao would support Souvanna so long as he stayed in line but stated that it "is resolutely opposed to all compromises."

Simultaneous with these political pressures, pro-Communist forces in Laos have pressed their military advantage with the aim of demoralizing the Laotian Army and weakening the bargaining position of the Vientiane government. The retreat of government forces north from the Phou Khoun road junction, however, has at least temporarily been halted. Morale is still low, and the ability to withstand a concerted enemy drive on Luang Prabang is highly questionable. For the moment at least, the Kong Le - Pathet Lao forces on this particular front appear to have overextended their supply lines and are exerting only light pressure.

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Antigovernment forces to the south of the road junction have effective control of the highway as far as Muong Kassy, and may be preparing an attack against Vang Vieng. Although their unit strength in this area is not great, they are being aided by Pathet Lao guerrillas. Meanwhile, in Xieng Khouang Province, Kong Le - Pathet Lao forces in the blocking position at Ban Ta Viang are being reinforced to consolidate control of the southern approach to the Plaine des Jarres. Phoumi forces, aided considerably by far-roving pro-government Meo guerrilla bands, had made limited gains in recent weeks, but now appear to be going on the defensive again.

In a 10 March conversation with British Foreign Secretary Lord Home, Soviet Ambassador Soldatov reaffirmed Soviet support for an international conference and maintained that the 18 February Soviet proposals to reactivate the ICC and convene an international conference were inseparable. Soldatov took issue

with Lord Home's opinion that a conference would only provide a forum for acrimonious exchange and contended that the 1954 Geneva Conference had worked efficiently and harmoniously.

The Soviet ambassador probably wanted to make it clear to the British, whose reply to the Soviet proposals is still pending, that the USSR would not accept Western agreement on the ICC plan if it did not call at the same time for an international conference.

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CONGO**The Tananarive Conference**

The trend in the Congo toward fragmentation into numerous tribally based autonomous states was stimulated by the conference of Congolese leaders at Tananarive from 8-12 March. The proceedings were dominated by Katanga's secessionist-minded Moise Tshombé, and the agreement to reconstitute the country into a "Confederation of Central African States" shows the impact of his influence on the other leaders.

Several of these officials, particularly those from Leopoldville, had previously resisted Tshombé's efforts to gain recognition. The central government delegates, however, appeared chastened at Tananarive and seemed to act more as a provincial than as a national delegation. Some of them are already concerned about a future role in the projected confederation.

The Gizenga regime was not represented at Tananarive and

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has attacked the conference participants as "imperialist puppets." Communist bloc propaganda has strongly condemned both the participants and the confederal agreement.

The details of the agreement are still to be worked out, and conferences for this purpose are to convene at Bakwanga and Elisabethville within the next few weeks. In the absence of any single authority with means to enforce its decisions, adjustment of the structure of the Congo to existing tribal and political realities would appear inevitable.

The Tananarive conferees, however, did provide for a veto power by each state in the policy-making Council of States, an extreme adjustment which would practically deprive the central government of any effective role even in international matters. The council is to comprise the president of the confederation--Joseph Kasavubu--and the presidents of the member states. It will determine general policy--both internal and international. An "inter-state coordination organization" is to implement the council's decisions. All these arrangements are merely expressions of the ambitions of the individual politicians, each of whom hopes to maximize his own role.

The provision specifying that the existing and future states are "sovereign in relation to each other" is an open invitation to further fragmentation into tribal states. Press sources quote observers in Leopoldville as predicting that the number of such "independent" states, originally envisaged as eight, might increase to forty

or more. By 15 March the number had already reached twelve. If even part of these "governments" become more than fictions, an obvious opportunity has been created for interference by the bloc and radical African states, as well as by Belgium.

UN-Congolese Relations

The Tananarive agreements appear to have produced a euphoric atmosphere in Leopoldville, and, coupled with the departure for New York of the unpopular UN representative Dayal, have improved the chance of an early understanding under which the UN Command could re-establish its presence in the ports of Matadi and Banana. The Congolese have apparently reacted favorably to Hammarskjold's new pro tempore representative, Makki Abbas, and are avoiding bellicose gestures for the present. However, the Congolese are not yet reconciled to the arrival of the UN's Indian reinforcements--particularly in the Leopoldville area--and their presence may lead to new incidents.

The return of Dayal to the Congo after his consultations in New York could have the same effect. On 14 March Hammarskjold revealed to an American official that he is thinking of sending Dayal back to the Congo around the first of April for a "few weeks." Hammarskjold thought he might first install three African assistants to whom most of the duties now handled by the UN representative would be assigned. He said that he eventually expected to designate an African as head of the UN Congo operation, to be assisted by another African and an Asian.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****The Stanleyville Government**

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The Gizenga regime, unable to obtain substantial bloc aid and in desperate economic straits as a result of the blockade of the Congo River, is attempting to develop a more moderate public image.

Although Gizenga was critical of Kasavubu, he said he recognized him as chief of state. He also said that if his security were assured, he would be willing to attend a session of the Congolese parliament, and that if voted out of the government, he would remain in the legislature as part of the opposition.

Although the situation in Orientale Province outside Stanleyville reportedly has degenerated into virtual chaos, the authorities in the city itself have managed to maintain order. This is largely the work of General Lundula, Gizenga's chief of staff, who appears to be a member of the moderate wing of the regime.

Gizenga reportedly realizes his unpopularity with the local inhabitants and rarely moves out of his house. He seems to

occupy a position between Lundula and Interior Minister Gbenye, who has been described as a "potentially dangerous, vindictive, stupid racist."

A fourth center of power is provincial president Jean Foster Manzikala, who has a reputation as a moderate but seems chiefly interested in building up a position from which to challenge Gizenga.

USSR's Position

Khrushchev also took an uncompromising stand regarding the Congo. He claimed that the Soviet Union had been prepared for serious discussion with the United States to work out a common approach but that American actions show that the United States intends to support the "colonialists." Therefore, Khrushchev said, the bloc's position will be to oppose any decisions which could damage the interests of the "legal" Congo government, i.e., Gizenga's Stanleyville regime.

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FRANCE-ALGERIA

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Paris announced on 15 March, following meetings of the government's Algerian Affairs Committee and the cabinet, that it was ready to negotiate with the Algerian rebels. The announcement said the cabinet "wished to see the opening of talks on the conditions for the self-determination of the Algerian people as well as on related problems." By using this language, Paris apparently opened the way to political negotiations without requiring a prior formal cease-fire agreement. The initial rebel acknowledgment of Paris' announcement was favorable.

the French Army and the ALN may be generating pressure on their respective governments not to make concessions on the cease-fire issue.

Although the PAG considers it already has a mandate to negotiate a settlement, the 62-man National Council of the Algerian Revolution (CNRA), the supreme governing body of the rebel movement to which the PAG is at least theoretically responsible, may insist on ratifying the negotiating position formulated by the PAG.

the problems of implementing a cease-fire and determining sovereignty over the Sahara will be especially difficult points during negotiations.

The CNRA is reportedly gathering in Tunis, and key civilian and military members from within Algeria, often at odds with the Tunis-based PAG, are reported skeptical that a satisfactory settlement can be reached unless the rebels continue the war and score significant military victories.

Following the meeting of the rebel provisional Algerian government (PAG) which began in Tunis on 14 March, the rebels are expected to respond to the French proposals on an Algerian settlement reportedly made in the preliminary talks.

The commander of the Algiers army corps, Lieutenant General Vezinet, told the US consul general on 11 March he fears that Moslem-instigated disorders may follow the ending of Ramadan on 17 March. Vezinet said agitators "of several kinds" are at work among the Moslems, who are under great emotional strain because of fasting and expectations that hostilities will soon end. The general added that there were still some European activists interested in creating incidents designed to provoke counteraction from the Moslems. The French are reportedly tightening security precautions in Algiers and Oran.

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CUBA

25X1 Several recent reports indicate that Cuba may be confronted with increasing agricultural difficulties. [redacted]

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25X1 [redacted] Cuba recently purchased more than 3,800 metric tons of corn from France--despite the fact that Cuba usually harvests three or four corn crops of its own each year. This is the largest single purchase ever made by Cuba from France.

25X1 [redacted] this year's sugar crop is expected to approach the normal yearly total of about 5,500,000 to 6,000,000 tons.

25X1 Opposition forces in Cuba are continuing their campaign of sabotage, terrorism, and subversion, despite government efforts to reduce dissident activity by arrests, executions, and possible attempts to provoke a premature uprising by pro-Castro infiltrators among the opposition. [redacted]

25X1 There has been no sign of a letup in the Castro regime's barrage of anti-US statements. In a 14 March speech at Havana University, the Cuban premier lashed out at President Kennedy's ten-point Latin American aid

program and said it was formulated as the result of US alarm, "not over the welfare of Latin America, but over fear of losing America." He characterized the proposed US expenditure of \$500,000,000 in Latin America as "alms" and stated his conviction that "the conscience of Latin America cannot be purchased."

He also railed against the alleged US plan to back the establishment of an anti-Castro Cuban government-in-exile, and he pledged that "as soon as imperialism forms a counter-revolutionary government-in-exile, we will form many revolutionary governments-in-exile." He specified a "Free Puerto Rico" as the first to be thus formed.

Havana has also attacked President Kennedy for his "imperialist objectives" in publicizing the recent action of the American Red Cross at the Guantanamo base in supplying what the Cubans called "dated" and "useless" polio vaccine to combat an outbreak of the disease in Guantanamo city. The regime's press and radio branded the creation of the US Peace Corps "demagogic" and "ridiculous" and concluded that the organization was "doomed to failure."

Argentina's offer of "good offices" to improve US-Cuban relations--an offer rejected by Cuba on 8 March--has aroused considerable discussion among other Latin American governments as to whether the Cuban problem is an issue for collective hemisphere action rather than single-country mediation. A number of leaders have indicated agreement with the US position that it is the concern of all the hemisphere nations.

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The widely respected President Lleras of Colombia stated publicly on 9 March that the inter-American system "should act on, examine, and resolve the Cuban case," and that if Cuba chooses to remain outside this system, it should accept its responsibility and, without any equivocation, permit the American

nations to assume theirs." Lleras refused, however, to sever diplomatic relations with Cuba now. The Brazilian Government did not comment on the Argentine proposal and has not denied press reports that President Quadros on 28 February stated his opposition to collective intervention in Cuban affairs. [REDACTED]

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ARGENTINA

Discontent over political and economic conditions is growing in Argentina. Concerned over two electoral defeats of his party during February, President Frondizi is seeking means of diverting public criticism from priority programs, such as the US-backed stabilization plan and petroleum development.

The stabilization program initiated in January 1959 has achieved a sound currency and attracted foreign investment and short-term loans; but aside from petroleum, it has not yet expanded industrial production, and business has remained depressed by credit restrictions. The rate of inflation declined during 1960 with only a 12-percent rise in living costs, but labor has not regained the 25-percent loss in real wages it suffered during 1959, when living costs doubled.

Notable progress in petroleum development, aided since late 1958 by US companies under government contract, is expected to give Argentina self-sufficiency and to allow for some exports by late in 1961. This progress will help offset the poor prospects for exports of farm prod-

ucts, which still provide the bulk of foreign exchange earnings.

Complaints over Frondizi's policies emanate from both the left, whose pro-Castro Socialist candidate won the Buenos Aires congressional elections on 5 February, and the right, which won the Mendoza provincial elections on 12 February. The large non-Communist opposition parties, such as the leading People's Radical Civic Union, have inhibited political and economic recovery by their all-out attacks on government policies with propaganda scarcely distinguishable from the Communist line and with appeals to partisan military elements. A conference of provincial governors of Frondizi's own UCRI party reportedly insisted last month that their political organizations would be finished if help were not given to enable them to show some visible achievements under the economic program.

Frondizi's plans for new policy moves include more active trade promotion and more attention to "social" programs, such as housing and highways. The government hopes to release

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control of the General Confederation of Labor to union representatives in the next few days if the unions are able to settle their long-standing disagreements. Frondizi also plans to lift the special security measures which have been in effect for more than two years to cope with Peronist and Communist agitation.

Army elements, usually suspicious of any "softness" toward Peronistas and Communists, have been disturbed by reports of these plans.

MOSCOW REVIEWING CENSORSHIP PRACTICES

Moscow has decided to abolish direct censorship of outgoing press dispatches and films of foreign correspondents, according to a Time-Life correspondent who wrote a letter to Khrushchev early last month urging this step. Other Western correspondents have reported that the Foreign Ministry's Press Department, which has been in charge of censorship, favored its abolition. The issue apparently has been under consideration

by L.F. Ilyichev, head of the central committee's agitprop sector for the union republics and former head of the Press Department.

The authorities may feel they have little to lose, as they could continue indirect pressures --such as threats of expulsion or denial of news-gathering opportunities. Such a decision would probably be aimed at

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silencing irritating Western criticism and to gain propaganda advantages by advertising "complete freedom of the press."

The publication in Moscow at this same time of a list of grievances concerning the situation of Soviet press representatives in the United States suggests that the Kremlin may be attempting to secure some concessions in return. An article published in Izvestia on 2 March, and subsequently propagated by TASS, protests against purported discriminatory practices applied to Soviet journalists by US officials: regulations requiring them to register with the Justice Department and to submit periodic financial accountings; the FBI's asserted right to search TASS premises; demands for fingerprinting in connection with visa extensions; and travel restrictions imposed on Soviet correspondents at the UN. The article concludes with the observation that "one word from the people in authority would suffice to change the situation immediately."

Soviet authorities have long refused to admit the existence of direct censorship. However, texts of all dispatches, wires, telephone calls, and broadcasts must be submitted in triplicate at the Press Department's section in the Central Telegraph Office. After a delay ranging from five minutes

to 36 hours, one copy--with any censored portions deleted--is stamped "Approved for Transmission Outside the USSR" and is returned to the correspondent. Another copy is kept on file, and the third is transmitted before the correspondent has had an opportunity to make any revisions. If the whole story is censored, no copy is returned. Telephone calls are monitored; if the newsman deviates from the approved text he is likely to be cut off.

The correspondent has no contact with the actual censors, who apparently are women highly skilled in languages and expert in the party line on current affairs. They are likely to pass any copy based on pieces in the Soviet press, but they have shown sensitivity to general speculative articles, for example, on the fall of Bulganin and on Khrushchev's visit to Peiping just before the Chinese Communists began to bombard the offshore islands in 1958. Interpretation of the rules is not uniform, however, and correspondents sometimes wait to submit copy until they think one of the more permissive censors is on duty.

All film for communications media is supposed to be developed in the USSR and reviewed by the censors. In practice, only wire services comply with this rule. All press photographers

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bypass the system whenever possible because of the delays involved and poor Soviet developing facilities. Undeveloped films are transported by Western travelers to the nearest free world bureau of the newspaper involved. The authorities are fully aware of these violations and even facilitate transmittal of films by notifying photographers of the departure dates of suitable couriers.

Khrushchev and Mikoyan on their trips abroad have been impressed with the resourcefulness of foreign newsmen and seem concerned about maintaining good public relations with the foreign press. According to a veteran Moscow correspondent, however, the bureaucrats of the information control apparatus--such as Ilyichev, M. A. Kharlamov, present head of the Foreign Ministry's Press Department, and Georgy Zhukov, head of the State Committee on Foreign Cultural Relations--believe that all foreign correspondents are spies, or at least enemies who must be closely watched.

Even in the rare instances in which normal censorship restrictions have been waived--as during the visits of Prime Minister Macmillan and Vice President Nixon--the Foreign Ministry has violated its agreements. Correspondents accompanying Nixon from the US were allowed to telephone di-

rectly from their hotel rooms, but resident correspondents were not allowed to file stories from the Central Telegraph Agency without censorship. On the third day of the visit the Foreign Ministry announced that only developed film could be shipped out. After Nixon had complained to Kozlov, the Foreign Ministry said that film taken in Moscow and Leningrad could be sent out undeveloped, but that film shot in Siberia would have to be developed first.

The Press Department also uses bribery and blackmail as means of control. Those correspondents who "write good stories" are rewarded with privileges in the form of travel permits, special interviews, and easy transmission of copy. On the other hand, the department calls in men whose stories it dislikes, threatening them with expulsion, prosecution under the Soviet State Secrets Law, or other punishment. Sometimes it tries to drive a wedge between the correspondent and his employers by suggesting that it objects not to his copy but to the general anti-Soviet line taken by his newspaper.

The Press Department also has seen advantages in allowing some illegal operations, as in the case of transmitting undeveloped films, because they provide additional opportunities to pressure correspondents at the suitable moment.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST GERMANY AND THE FOREIGN AID PROGRAM**

The West German cabinet appears to be nearing agreement that in principle, future German contributions to aid for underdeveloped countries should be calculated at one percent of the annual gross national product. In 1960, one percent of the GNP was approximately \$700,000,000. The slow pace at which monies are being collected and allocated for Bonn's special 1961 bilateral loan fund suggests that West Germans are still a long way from effectively assuming a substantially larger share of the Western economic aid to underdeveloped areas.

The 1961 funds from such sources as industry and state government loans, proceeds from the sale of the Volkswagen company, and Marshall Plan "reflow" funds now are expected to total only \$600,000,000, considerably less than originally planned. The cabinet has decided to ask the Bundestag for an additional \$125,000,000 federal government contribution. With regular budgetary appropriations for technical assistance and contributions to multilateral institutions amounting to \$135,000,000, anticipated aid funds come to \$860,000,000, of which approximately \$725,000,000 will eventually be available for development loans.

In charge of administering the new loan fund is the Reconstruction Loan Corporation (KfW), a semiofficial agency which has long provided foreign credits linked to the purchase of German exports. Many government officials now favor liberalizing credit terms, and loans under the new fund will probably not be tied to the purchase of German goods.

Financial and commercial interests--which are providing a sizable contribution--still prefer loans on regular commercial terms at rates prevailing in the West German capital market, but there are indications that a considerable portion of the funds will be made available for noncommercial projects on easier terms and with repayment extending to 15 years and possibly even longer in special cases. A \$36,000,000 loan promised to Pakistan runs for 15 years and is not tied to purchases in Germany. Bonn reportedly offered similar terms for a large loan to Indonesia.

Although Bonn has preferred to direct most of its assistance through private commercial channels, it has occasionally extended modest grants for technical assistance and has made a direct contribution to the Indus River project. Bonn, however, remains basically opposed to grants for development projects and has resisted US efforts to obtain German aid in relieving the Turkish debt-servicing burden--even though a large share of Turkish debt payments are going to West Germany.

In Bonn's view, a major difficulty in increasing its foreign aid lies in the reluctance or inability of underdeveloped countries to provide "the facts and figures" to justify desired projects. Germany officials frequently have complained they are unable to find enough sound projects for the monies available. Since only about \$250,000,000 of the 1961 funds have been committed for development projects in India, Pakistan, Liberia, Argentina, and Turkey, it seems doubtful the scheduled aid will be fully allocated this year.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****EUROPEAN MONETARY DEVELOPMENTS**

The 5-percent appreciation of the West German mark and the Netherlands guilder on 4 and 6 March is not expected to have a material effect on the current imbalance in international payments. In the first week after the revaluation, speculation anticipating additional exchange adjustments more than defeated the purpose of the German move, with heavy inflows of funds into West Germany and mounting pressures on sterling. These movements are tapering off, but prospects are that the old situation will soon be restored rather than improved unless additional measures are taken and there is some moderation of the disparate economic trends, particularly between the booming Common Market (EEC) countries on the one hand and the Anglo-Saxon countries on the other.

Recognition that the boom had developed serious inflationary tendencies appears to have been the major factor in the sudden revaluation decision, which Bonn had periodically considered but put off since 1959. With wages and prices both rising, indications of another speculative influx of foreign funds confronted the Bundesbank with the choice of revaluing or losing control. Inaction would have been risky, in view of the sensitivity of the German man-in-the-street on inflation, and the government may also have feared that an aggravated surplus problem would increase pressure from the US for a larger foreign aid program. Economics Minister Erhard apparently had this in mind when he observed on 5 March that Bonn's foreign exchange earnings had produced "greatly exaggerated judgments of West Germany's economic capacity."

Although inflationary pressures are also being felt in several other EEC countries--notably the Netherlands and to

a lesser extent France--the EEC as a whole is likely to share Bonn's caution about instituting restrictive measures. In addition to the political unpopularity of such measures, it has long been the consensus in the EEC that a high level of prosperity is the sine qua non for successful implementation of the Common Market treaty. Accordingly, at a meeting of the EEC's Business Cycle Committee last month, considerable concern was evident over the possibility that economic activity might level off during the second half of 1961, and the member countries were exhorted to maintain "at all costs" the expansion of internal demand.

Realization that inflation would be a serious threat to continued expansion may, however, lead the EEC countries to take an increasingly liberal position on the matter of tariff levels. The German revaluation is expected to improve the already strong competitive position in the Common Market of France and Italy--normally the most protectionist-minded of the EEC countries. Moreover, there have been a number of rumors that, as an anti-inflationary measure, France may soon unilaterally reduce tariffs by roughly 5 percent. If so, this would materially improve the outlook for the EEC to double the next 10-percent internal tariff reduction--as it did the last--bringing to 50 percent the total internal tariff reduction by 31 December.

This increasingly liberal attitude might also benefit outsiders in general and the United States in particular, since the Business Cycle Committee has recommended that in the forthcoming GATT negotiations on a 20-percent reduction in the EEC's external tariffs, the EEC not insist on immediate reciprocity.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOMALI REPUBLIC**

The moderate government in the Somali Republic may adopt a more neutralist foreign policy following the UAR's prompt response to Premier Abdirascid's plea for early military and economic aid. In contrast to Italy's procrastination in providing promised funds to cover the 1960 budget deficit of its former trust territory, shipments of gift arms offered by Nasir during Abdirascid's visit to the UAR last November arrived in Mogadiscio in mid-February and early March. Cairo also moved rapidly to implement cultural and economic agreements signed with the new republic. A Foreign Ministry spokesman in Rome indicated that Italy will honor its pledge but that special legislation will be required before payment can be made.

plans for the construction of a textile mill, a sugar mill, and a slaughterhouse, and is investigating the possibility of expanding Somali production of sugar cane and introducing the cultivation of short-staple cotton. The mission has committed UAR firms to buy bananas, livestock, and frankincense.

Cairo demonstrated its special interest in the northern region--formerly the British Somaliland protectorate--by opening a consulate general in the provincial capital of Hargeisa and by earmarking several thousand dollars of the credit for livestock improvement in that area.

Abdirascid's government, which has been in power since the territory became independent last July, believes it must demonstrate substantial progress in economic development and defense in order to survive a national referendum, scheduled for 20 June. The referendum is being held to approve or reject the draft constitution which provides for national elections every five years. The leftist opposition--which has received financial support from Communist countries--is aware that approval of the referendum will in effect prolong the tenure of the present government for another five years. The leftists therefore are expected to conduct a vigorous campaign to defeat the referendum.

Under the economic agreement, which spells out details of trade and payments accords signed last November, the UAR is to provide a credit of \$11,200,000 on favorable terms for development projects. A UAR economic mission now in the Somali Republic is studying

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****COMMUNAL AGITATION AGAIN PLAGUES CEYLON**

The chronic language dispute between Ceylon's Sinhalese-speaking Buddhist majority (about 70 percent of the population) and the Tamil-speaking Hindu minority (about 24 percent) threatens to result in violence if the Bandaranaike government continues to enforce the adoption of Sinhalese as the sole official language.

The Tamil Federal party launched a "passive resistance" protest campaign on 2 January, the day after the 1956 Official Language Act went into effect. Initially the government seemed to believe that a hands-off policy would undermine the Federal party's efforts to gain official status for the Tamil language. Instead, the party intensified the agitation with a "direct action" campaign beginning on 20 February. Since then, picketing of government offices has spread to the point where operations at most administrative centers in the Tamil-dominated northeast have been virtually halted. In early March the government sent troops to various trouble spots.

The government's supporters, as well as its critics, probably fearing a repetition of the violent communal riots in 1958 over the language issue, have urged it to withdraw the troops and to negotiate with the Tamils. In a broadcast shortly before her departure for the Commonwealth prime

ministers' conference, however, Mrs. Bandaranaike said that while she would discuss any "hardships" imposed on the Tamils by the Language Act, there would be no change in the decision to implement its provisions, nor would she hold talks with Tamil leaders unless the campaign were called off. Meanwhile, the "direct action" campaign is gaining support in the Tamil areas.

The government can afford to take a firm position as long as the agitation remains essentially nonviolent and limited to Tamil areas. It does not need Tamil support in Parliament, and in any case would be unwilling to yield for fear of damaging its prestige with the majority--or inviting counteragitation by Sinhalese extremists. Should major violence occur, however, or if the large and predominantly Tamil plantation labor force joins the campaign, the government will be forced to compromise. The plantations are the basis of the island's export earnings, and prolonged strikes would cripple the already unhealthy economy.

The government's problem is complicated by the fact that many of its high-level military and civil service officials belong to the Tamil or other ethnic or religious minority groups and are said to be concerned over the language policy.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

EVACUATION OF CHINESE NATIONALIST IRREGULARS

Chiang Kai-shek now appears willing to withdraw all Chinese irregular troops who choose to leave the Thai-Burmese-Laotian border area. Chiang however, believes the evacuation, which is scheduled to begin on 17 March, will damage Nationalist interests, and he may hope the situation in Laos will deteriorate to the point where the evacuation will be called off.

General Lai Ming-tang, vice chief of the general staff, heads a military mission now in the border area to arrange for the withdrawal.

their dependents are willing to be evacuated, it is unlikely that more than about 3,000 troops will go to Taiwan. Most of the 3,000 irregulars now in Laos probably will consent to evacuation. [REDACTED] 25X1

[REDACTED] Most of the 3,000 to 4,000 irregulars in the Burmese-Thai border area have been relatively independent of Taipei's control and will probably refuse to leave. [REDACTED] 25X1

irregulars who reject evacuation will undoubtedly attempt to return to bases in Burma and continue to create trouble for the Burmese Government.

Prospects have developed during the past week for some Burmese-Thai military cooperation in removing the irregulars who have refused evacuation. In his State of the Union address to Parliament on 13 March, Burmese Prime Minister Nu said Burma would "take all appropriate steps, in conjunction with our neighbors," to assist in such an operation. 25X1

Lai visited villages in Thailand and Laos where the irregulars are concentrated to persuade as many as possible to leave. As an inducement, the irregulars were offered integration in the Chinese Nationalist Army on favorable terms. Officers will be allowed to take their dependents and will receive assistance for resettlement.

Although Lai has reported that 4,500 of the 6,000 to 7,000 irregulars and 1,500 of

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CURRENT INTELLIGENCE WEEKLY SUMMARY

ANTICHURCH CAMPAIGN IN HUNGARY

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The prospect of worsening public morale and an open break with the bishops may prompt the Hungarian Government to relax its crackdown on "obstructionist elements" within the Catholic Church. The population is already disturbed by the imposition of stricter work controls and agricultural collectivization, and there is growing apprehension that the Kadar government is reverting to the policies of the pre-revolt Rakosi leadership. The US Legation reports that priests and laymen are still being arrested, particularly in the primatial diocese of Esztergom. However, the arrests apparently are not on a scale comparable to those of four or five weeks ago, when as many as 1,200 persons may have been detained at least temporarily.

Despite the renewal in January of the regime's annual \$3,000,000 subsidy to the Bench of Bishops, church-state relations had been deteriorating rapidly since last fall. Fifty-eight priests reportedly were arrested in November in Budapest, Szekesfehervar, Eger, and Pecs. The authorities seem to have hoped thereby to develop incriminating evidence against the local bishops, who had denied advancement to the collaborationist clergy. In January, Gyor County party Secretary Ferenc Lombos attacked local seminarians and senior clergy for refusing to associate with the pro-regime "peace priests."

regime's announcement that ten persons, including eight priests, had been arrested for plotting against the state.

Security authorities subsequently conducted a door-to-door search of the Christina Varis District of Budapest and reportedly arrested 500 priests and laymen in the capital and up to 700 elsewhere. The prisoners are being held at a special detention center in Ujpest, a suburb of the capital. Employees of the Ministry of Justice, some of them veterans of the antichurch campaign of the late 1940s and the trial of Cardinal Mindszenty, reportedly were working overtime two weeks ago on indictments. At least one employee of the Ministry of Interior has been seeking evidence to link the clergy with church officials in the West.

In the meantime, attendance at Catholic services has remained generally normal, with one exception in which a 30-percent "protest" increase was noted by Western observers. Diplomats with extensive contacts in Hungarian cultural circles report that members of the intelligentsia are jittery and, to a limited extent, defiant--presumably because the antichurch campaign may foreshadow a reimposition of all-out cultural controls.

The arrests in recent months probably have disrupted the church's internal administration, and Kadar may have concluded that trials or further arrests are unnecessary at this time. Moreover, the government may be easing up on its antichurch campaign in order to further its efforts to "regularize" relations with the United States.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ECONOMIC GROWTH OF EUROPEAN SATELLITES SLOWED IN 1960**

The rate of economic growth for the European satellites as a whole declined during 1960. There were only moderate gains in gross national product--4 to 6 percent in most countries--and improvements in living conditions last year were either small or insignificant. Agriculture, generally hindered by bad weather and, in three satellites, by collectivization drives as well, contributed little to economic growth. As in most years, the greatest achievements were in industry.

All the satellites made significant gains in industrial production during 1960. Nevertheless, increases in gross industrial output in Albania, Bulgaria, and East Germany were much smaller than in 1959; of these three, only Albania reached its goal. Growth rates for 1960 rose slightly in Czechoslovakia, Hungary, and Poland and increased considerably in Rumania, which has replaced Bulgaria as the most ambitious economic planner among the satellites.

Increased labor productivity was the dominant factor in industrial growth in all countries with the possible excep-

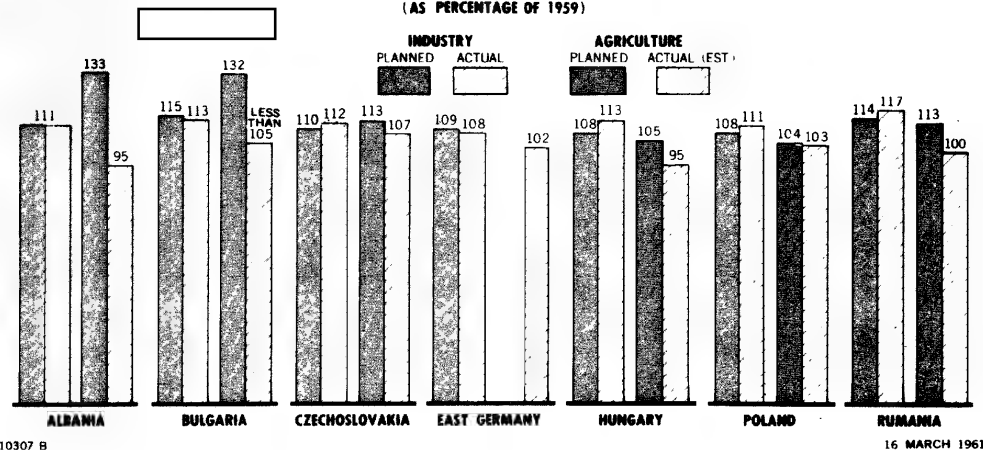
tion of Hungary. Higher employment nonetheless did contribute significantly to industrial expansion in Bulgaria, Czechoslovakia, and Rumania, as well as in Hungary. The investment drive of recent years--an important factor in satellite industrial development--slowed down last year, causing concern in several countries. For East Germany, the lag in investment, together with decelerated expansion of industrial output and foreign trade, strengthens doubts that its 1965 goals can be achieved.

Gross agricultural production apparently did not increase as much as 5 percent in any satellite except Czechoslovakia, and net production there remained lower than in 1958. Presumably because of this poor 1960 record, planned increases announced so far for agricultural production in 1961 are consistently higher than average rates scheduled for 1961-65.

As a consequence of agricultural collectivization drives last year in East Germany, Hungary, and Rumania, private holdings in six satellites at the end of 1960 accounted for less

EUROPEAN SATELLITES: GROSS PRODUCTION IN 1960

(AS PERCENTAGE OF 1959)

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

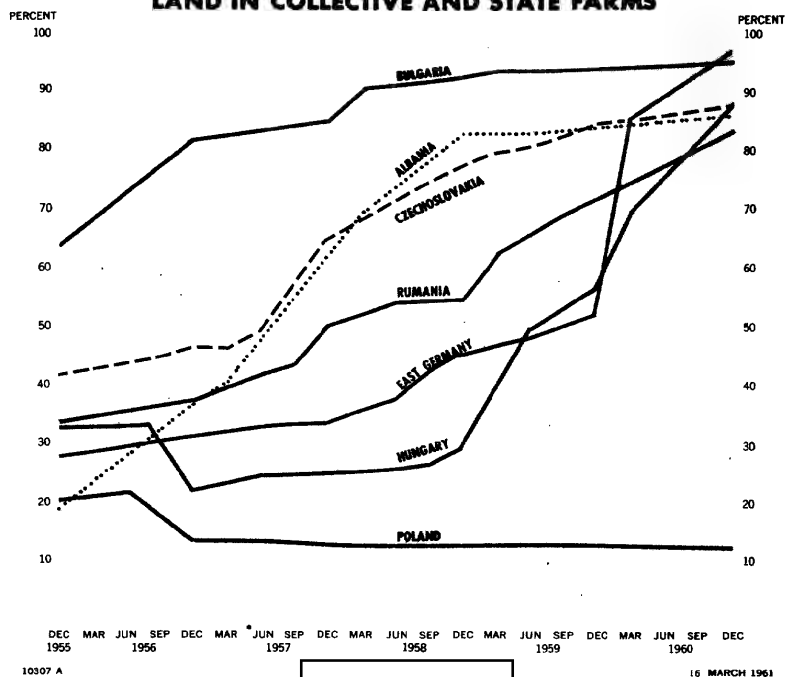
than one fifth of farmland or cultivated area and had been reduced to relatively little economic importance. In Poland, the only satellite not to push collectivization during the past five years, almost 87 percent of agricultural land is still privately owned.

The unusually rapid growth of foreign trade in 1959 was

mostly Soviet--credits. They face a reduced ability to handle economic problems and maintain the desired high rates of growth as debt payments come due during the next few years.

Per capita consumption gains in 1960 were slight, and in the case of Poland there was none at all. The Polish regime's planned deferment of

**EASTERN EUROPE:
LAND IN COLLECTIVE AND STATE FARMS**



not maintained in 1960, but most countries made substantial gains, and Bulgaria and Poland reduced their trade deficits by roughly \$65,000,000 and \$105,000,000 respectively. On the other hand, the Hungarian trade deficit grew by a reported \$70,000,000. During 1956-60, economic development in these three satellites has been based in part on the receipt of foreign--

relatively generous gains for consumers until 1964-65 obviously involves some risk of popular disturbances, as do labor-norm revisions now under way or imminent in several satellites. Since 1956, however, the satellites have modified unpopular economic programs where there has been serious opposition. (Prepared by ORR)

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****NEW SOVIET TANKER PURCHASES**

In addition to increasing its petroleum production and planning further expansion of its network of oil pipelines, Moscow is stressing the building of a modern tanker fleet as an integral part of its program to push Soviet oil sales in competition with Western suppliers. To supplement its domestic shipbuilding program and its acquisitions from the European satellites, the USSR is continuing to purchase large, modern oil tankers from nonbloc countries. Recent Soviet contracts for the construction of tankers in Japanese and Italian yards raise to more than 20 the number of tankers the USSR has ordered from Western Europe, Japan, and Yugoslavia since last autumn. Delivery of these ships will boost the tonnage of the Soviet tanker fleet by at least 700,000 deadweight tons (DWT); in mid-1960 the total fleet was only 990,000 DWT.

Although there is a worldwide surplus of tankers available for charter, the USSR prefers to reduce its dependence on free world resources in this as in other fields. Apparently in response to the Cuban need for Soviet oil deliveries at an annual rate of over 3,500,000 tons, as well as to increased oil exports to other areas, Moscow embarked on its tanker-procurement program in the latter half of 1960. The program includes the purchase of tankers for immediate delivery, as well as contracts for construction of new ships.

The four nonbloc tankers the USSR has acquired thus far --two of 40,000 DWT from Japan and one each of 25,000 DWT from Yugoslavia and the Netherlands--were immediately employed on the run to Cuba. All but two of the tankers previously used in the Soviet fleet were of the 13,500 DWT class or smaller.

New Soviet orders in Japan provide for the construction of two 35,000-DWT tankers, in addition to four similar vessels ordered in December 1960. The orders are well beyond the scope of the Soviet-Japanese three-year trade agreement signed in March 1960 and even exceed the terms of the agreement as revised last December. These purchases, arranged on deferred payment terms, make the USSR one of Japan's major customers for merchant ships.

Using its Japanese orders as an example of the potential profits to be made, Moscow arranged for the purchase of as many as 11 tankers in the Soviet-Italian trade pacts recently drawn up in Moscow. At least one, and possibly three, 48,000-DWT tankers are to be delivered this year, and from six to eight 35,000-DWT tankers will be constructed for the USSR during 1962-65.

Tanker negotiations with West Germany and Spain are being conducted by Moscow but have not yet resulted in firm orders. Bonn's new trade agreement with the USSR has a clause calling for West Germany to build some \$37,000,000 worth of ships, including tankers, for the Soviet Union between 1961 and 1965. The tankers apparently were included during the final stages of the trade talks last December at the insistence of the Soviet side. Moscow is seeking to buy four tankers from Spain ranging from 20,000 to 32,000 DWT. The sales are being actively promoted by the Spanish Government as part of its program of increasing exports to the Soviet bloc.

The Netherlands probably will supply four more ships of 25,000 DWT each during the next two years, and Yugoslavia may have agreed to supply one additional 25,000-ton tanker.

(Prepared by ORR)

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SOCIALIZATION OF TIBET POSTPONED

Just two years after the rebellion of March 1959, Peiping has declared a moratorium on further efforts to communize Tibet. China's internal difficulties--the food and fuel shortages in particular--and Tibetan recalcitrance have played a part in this decision.

Through 1960, the Chinese national press optimistically reported "progress" in Tibet. The deputy secretary of the Tibetan party committee wrote in the 1 December issue of Red Flag that the region had harvested a bumper crop, which in turn had improved the standard of living. Since their emancipation from serfdom, he wrote, "peasants' enthusiasm for production had risen to unprecedented heights." Land reform had been carried out with great success, mutual aid teams had brought immense benefits to the majority of the farming population, and some agricultural cooperatives had been set up. The article implied that "democratic reforms" had been an unqualified success and said they "would be carried through to the end."

The day after the article was published, however, the Tibet party committee announced that cooperativization would be postponed three to five years, as "mutual aid teams had not yet been perfected" and the "Tibet region still does not have the prerequisite conditions for turning the democratic revolution into a socialist revolution."

Tibetans have been told they may live their lives as before and practice their religion freely. Collectivized land in central Tibet is being returned to its owners. Private trade has re-

sumed on a small scale, and the Chinese reportedly have offered to furnish capital for Tibetans who wish to establish private businesses. Mass indoctrination meetings in Lhasa have been suspended. Refugees also refute Peiping's claims of a bumper harvest and assert that Tibet is on the verge of starvation, primarily because of the dislocations caused by the rebellion and land reform.

Peiping's reversal of policy is comparable to the six-year moratorium on communization of Tibet declared by Mao Tse-tung in February 1957. This period of grace came to an abrupt end in 1959, however, with the Tibetan uprising.

The Chinese Communists now admit that both Tibetan and Chinese cadres "made too many mistakes" in the implementation of land reform--intimating that their highhanded policy aroused a great deal of wrath among the people. The Panchen Lama recently said, "We need more experience in dealing with vast pastoral areas characterized by vastness in area, sparsity in population, and scattered distribution and great mobility of inhabitants." To force through their program on Tibet now, the Chinese would have to expend manpower and resources which are needed much closer to home.

Peiping has made it clear, however, that the postponement of Tibetan reforms is an act of expediency and not an indefinite moratorium. Tibetans have been informed that the political need for reform persists, and the process of socializing Tibet is likely to be started again whenever the circumstances are deemed favorable. As long as the approximately 110,000 Chinese troops remain in Tibet--one for every ten inhabitants--Peiping will certainly maintain its control of the region.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****BELGIAN PARLIAMENTARY ELECTIONS**

The Belgian parliamentary elections, to be held on 26 March, are expected to diminish the strength of the opposition Socialists, who are being held responsible for the violent, unsuccessful 34-day strike in December and January against the austerity aspects of the government's economic program. The governing Social Christian and Liberal parties are expected to gain.

Regular quadrennial elections would have been held in June 1962; however, the three major parties believed elections were necessary now in order to give the country a fresh start after a series of crises stemming largely from the Congo trouble. This issue has not yet played a prominent part in the campaign, and the Eyskens government is reluctant to take any drastic action regarding the withdrawal of Belgian advisers from the Congo, for fear of stirring up a bitter domestic controversy. Moreover, the three major parties all participated in the original Brussels round-table conference which set up independence for the Congo.

The principal issue in the campaign is the "loi unique"--the economic austerity and expansion program--and the strike against it.

The major parties agree that Belgium's lagging economy needs stimulation--its rate of economic growth is one of the lowest in Western Europe--but they disagree as to the means. The Socialists have attacked the loi unique as bearing too heavily on the low-income groups.

The Social Christians are seeking to capitalize on the widespread public resentment against the strike. In an effort to placate the party's trade union wing and win over discontented trade union elements in the Socialist ranks, they have postponed until after the election the imposition of most of the austerity aspects of the loi unique. The Liberals are hoping to profit from voter resentment of this ambivalent attitude on the part of their coalition partners.

The small Communist party, which has only two of the 212 seats in the Chamber of Deputies and one of the 175 in the Senate, may double its representation. Left-wing Socialist and trade union elements in the depressed southern region of Wallonia, disgruntled with the halfhearted support the moderate Socialist and trade union leaders in Brussels gave the recent strike, may vote for the Communists in protest.

The Socialist leaders, on the other hand, are apparently hoping that the participation of Paul-Henri Spaak, former premier and recently secretary general of NATO, will diminish defections to the Social Christians by the middle class.

In any event, Premier Eyskens is unlikely to lead the next government. Political leaders hope the election will lead to the formation of a strong government which can function without being handicapped by past failures or imminent elections.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****MOSCOW AND A NUCLEAR TEST BAN**

During his heated remarks to the press in Paris after the collapse of the summit meeting last May, Khrushchev said that, as far as the ten-nation disarmament talks were concerned, he was "almost convinced that our partners in Geneva do not want disarmament--what is happening is merely procrastination." He stated flatly, however, that the USSR would continue the nuclear test ban negotiations, thus indicating that he considered the test ban issue outside the framework of general disarmament talks and beyond the limits of Moscow's anti-US agitation and propaganda offensive.

Similarly, public statements by Khrushchev during his visit to Austria last July seemed intended to provide assurance that the bloc walkout on 27 June from the disarmament talks did not foreshadow a similar move in the test ban negotiations.

The Soviet leaders were nonetheless concerned that their actions might lead to Western withdrawal from the test ban talks. Shortly after the US announced on 17 July that it would conduct 11 underground tests for research purposes during the next two years, the Soviet delegation in Geneva made a major concession in its negotiating position. The concession involved the question of permitting international inspection of sites at which instruments indicated a nuclear explosion might have occurred. The Soviets had previously

declared the precise number of such inspections an issue beyond the scope of the Geneva talks. However, they conceded at this point that they might allow three annually. The number was patently unacceptable to the Western powers, but the initiative was probably intended as a sign of continuing Soviet interest in arriving at a test ban agreement.

The USSR thus sought to keep the test ban talks alive despite its militant anti-US campaign and virtual severance of relations with the US in all other matters pending a change in administration. This persistence probably stemmed from four main factors: the obvious political and strategic advantages of maintaining a de facto but uncontrolled ban; a desire to use the test ban question in future efforts to promote some accommodation with the US; concern over the spread of nuclear weapons within the Western alliance; and an urgent need of a pretext for rebuffing Communist China's insistence that the USSR provide it with nuclear weapons.

The Soviet Position

When the Geneva talks opened in October 1958, the Soviet leaders probably decided that protracted negotiations, accompanied by an uncontrolled moratorium on testing, would serve both their political and long-range strategic aims. They appear to have concluded that, despite US superiority in certain technological aspects, stabilization of nuclear weapons

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

technology would serve Soviet military interests better than a continuation of testing by both sides with no assurance that the USSR would improve its relative military position by further tests. The USSR, moreover, had available a wide range of nuclear weapons which were probably considered adequate to meet basic military requirements.

From the political viewpoint, the Soviet leaders probably saw at least three distinct advantages to the talks: they would further the Soviet effort to single out and stigmatize nuclear weapons; they would strengthen the long Soviet campaign for a test ban as the first step in nuclear disarmament; and they would generate political problems in the free world which would serve to inhibit Western defense planning.

The close relationship in Soviet thinking between a test ban and Western defense activities was reflected in Foreign Minister Gromyko's announcement in March 1958 of the USSR's first unilateral cessation of testing. Gromyko warned that the West German decision to accept nuclear weapons and missiles made a test ban agreement an urgent and imperative task.

Soviet Tactics

Moscow over the past three years has tied its tactics

in negotiations to the over-all state of Soviet relations with the Western powers. From October 1958, when negotiations began, until Khrushchev's visit to the US in September 1959, Soviet moves on the test ban issue were primarily designed to keep the talks alive by making strictly limited concessions on the vital control issues. With the summit conference virtually agreed upon after Khrushchev's visit, the USSR adopted a more flexible position and sought to isolate a few outstanding problems for settlement. After the Paris conference, however, the Soviet delegation withdrew some previous concessions, temporized on almost all major issues, and made it clear the USSR would await negotiations with a new US administration.

Soviet sources have recently begun to revive the test ban question as a summit-level topic, and the Soviet note agreeing to postpone negotiations from 6 February until 21 March was couched in optimistic terms. A number of Soviet spokesmen have also implied that when negotiations resume, the Soviet delegation will be prepared to offer concessions on key issues.

On the number of on-site inspections, Soviet officials and scientists at the Pugwash Conference in Moscow last December implied that a compromise would be possible in which the USSR would accept the American proposal for 20 inspections in the USSR each year in return for American agreement to a four-year moratorium on small

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CURRENT INTELLIGENCE WEEKLY SUMMARY

underground tests, instead of the 27-month moratorium proposed by the US.

In his recent letter to the American Committee for a Sane Nuclear Policy, Khrushchev acknowledged that the moratorium and a research program to improve detection methods for small underground explosions remained major unresolved issues. The Soviet negotiating position has been to defer settlement of the question of a research program until the duration of the moratorium is agreed on. Moscow probably believes that an extended moratorium would make it increasingly difficult for the West to resume underground tests, even if an agreed research program during the moratorium failed to yield results in improving detection methods.

The Soviet leaders may also anticipate that, following settlement of the on-site inspection and moratorium problems, continued rejection of the American position on a coordinated research program which includes nuclear explosions would endanger the talks.

Last August the Soviet delegate also indicated some interest in working out a compromise formula to resolve the impasse over another key issue, the composition of the control commission.

In general, however, Moscow is likely to await new American proposals before deciding on its over-all

course and what concessions it can make.

Sino-Soviet Relations

The question of Communist China's acquisition of a nuclear capability has probably become a major issue in the Sino-Soviet dispute and perhaps the overriding factor in shaping Moscow's policy on a test ban. Moscow almost certainly has not supplied any stockpile nuclear weapons to the Chinese. There is evidence, however, that Soviet resistance to strong Chinese pressure to provide such weapons has been one of the basic irritants in Sino-Soviet relations.

In opposition to the USSR's apparent willingness to accept a freeze of weapons technology, either through a continued voluntary moratorium on testing by both sides or in a treaty, Chinese leaders have made clear their determination to make China a nuclear power. They probably believe that even a limited nuclear capability would have a powerful impact in Asia and greatly enhance their bid to force acceptance of China's "rights" as a great power. While the Soviets have come to view a test ban as an increasingly profitable area for political accommodation with the West, the Chinese have strong military and political reservations on the issue.

It is estimated that the Chinese Communists could detonate a nuclear device sometime in 1963, although it might be

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as late as 1964, or as early as 1962, depending on the degree of Soviet assistance.

The Chinese probably consider that Moscow is using the protracted negotiations on a treaty as a means of forestalling their ambitions. The treaty as presently drafted, moreover, would proscribe further Soviet aid to China; the first article forbids the signatories from "causing, encouraging, or in any way participating in the carrying out of nuclear weapons test explosions anywhere."

The Chinese leaders are also probably convinced that a far-reaching accord between the USSR and the West on such a major issue would undermine Peiping's posture of unrelenting hostility toward the US and impose significant restraints on Chinese foreign policies. Peiping probably would view a test ban agreement as a major step toward a broad Soviet political rapprochement with the US which could only be at the expense of Chinese interests.

While Peiping has probably been concerned since mid-1958 with the possibility of Soviet agreement to a test ban, the issue probably did not assume major proportions until the negotiations appeared to be moving toward successful conclusion, following Khrushchev's return from the United States in September 1959.

Fear that the summit conference would bring a decisive advance toward a test ban treaty, together with slackening Soviet support for the Chinese weapons program, probably sharpened Peiping's determination to force Moscow to reverse its policy. When Khrushchev, in his address to the Supreme Soviet on 14 January 1960, listed a test ban as a major issue for the summit conference, Peiping responded on 21 January with the first explicit declaration that it would not be bound by any disarmament agreement in which it did not participate. At the Warsaw Pact conference in February, the Chinese representative depreciated the chances for successful negotiations with the West on disarmament.

The strain which this divergence placed on Sino-Soviet relations became more apparent as the summit approached and as the Soviet delegation in Geneva moved to narrow its disagreement with the West on a number of major issues. Thus, by the end of March the Chinese leaders were probably convinced that Moscow actually intended to conclude a test ban agreement. They made their dissenting views public in April in a series of

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authoritative articles entitled Long Live Leninism. In these articles Peiping acknowledged the possibility of agreement on "banning of atomic and nuclear weapons, but advocated strengthening of the "socialist camp" with "modern weapons" as a guarantee against the West's refusal to reach an agreement. In the same vein, the articles urged socialist countries "to utilize such new techniques as atomic energy and rocketry" to defend themselves. The articles avoided a specific endorsement of a test ban and confined Chinese support to a complete "prohibition of nuclear weapons."

On the eve of the summit meeting, Chou En-lai indicated that Peiping would refuse to take part in any disarmament agreement as long as China was not recognized by the participants.

Khrushchev's decision to continue the test ban talks after the collapse of the Paris summit meeting seems to have provoked the Chinese into an even more far-reaching attack on the Soviet position. When revisions in the Soviet general disarmament scheme were unveiled in early June, Peiping treated them as no more than a propaganda exercise to test the West and to expose the "fraudulent" Western desire for peace. People's Daily again warned that Peiping would not be bound by any agreements reached without its formal participation. Moreover, the Chinese carried their attack into the councils of the World Federation of Trade Union meeting in Peiping in June.

The Soviets responded to these moves on the eve of the Bucharest meeting of Communist bloc leaders at the end of June with a long letter to the participants reaffirming the valid-

ity of Moscow's position on disarmament and emphasizing that the bloc should be prepared for any eventuality, including at least a ban on tests, a renunciation of the use of nuclear weapons, and the destruction of stockpiles. Moreover, the Soviet letter argued that in this event "the socialist camp would be the gainer and would win the sympathy of the people everywhere." Moscow concluded that, contrary to the Chinese claim, disarmament was not merely a "diplomatic maneuver" but a serious political aid in the interests of the world socialist system.

Thus, while partially acknowledging the Chinese view of disarmament as a convenient weapon of political warfare, Moscow also seemed to commit itself at least to some partial disarmament measures, which, in the Soviet leaders' view, would yield a net advantage for the bloc. The Chinese representative at Bucharest charged the USSR with adopting a proprietary attitude and attempting to act as spokesman for Peiping in disarmament talks.

These conflicting views were again underscored during the Moscow conference of Communist leaders last November.

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Moscow conference Soviet spokesmen again defended a test ban and prohibition of nuclear weapons. The Chinese spokesman, however, while paying lip service to banning of nuclear weapons, reverted to the position taken in Long Live Leninism.

The final declaration of the conference relies on the

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the US and its allies. The Soviet premier, on the other hand, is well aware that the Western powers will be applying a similar test and that developments in the Geneva talks will have a strong bearing on the West's attitude toward high-level negotiations on other major East-West questions, such as Berlin and Germany.

Khrushchev has heavily committed his personal prestige and authority in the Communist world to the proposition that what bloc leaders view as a favorable trend in the world "correlation of forces" can be exploited to extract Western concessions on these major questions at the negotiating table. A constructive Soviet approach at Geneva would provide tangible support for Moscow's efforts to bring the Western leaders to a summit meeting on Berlin and Germany.

Although the precise course of Soviet policy at Geneva will depend in part on Moscow's assessment of Western intentions after the initial phase of probing of positions, Soviet spokesmen have indicated to Western sources that Moscow still considers the Chinese Communist factor as more of an incentive than an obstacle to an agreement.

Khrushchev's final decision regarding the Soviet position on a nuclear test ban is likely to hinge on two main considerations: 1) his over-all evaluation of the effectiveness of the USSR's present posture of relative moderation and restraint toward the US and its Western allies in obtaining a summit conference on favorable terms; and 2) Chinese Communist reaction and Moscow's judgment of the effects of this reaction on the USSR's position in the Communist world. 25X1

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The final declaration of the conference relies on the general formula for "banning atomic weapons as well as their tests and production," but does not single out a test ban alone for endorsement. The accompanying Peace Appeal also uses this general formula, in contrast to the 1957 Appeal which specifically called for a test ban as well as prohibition on manufacture and use of nuclear weapons.

Outlook

The continuing Sino-Soviet impasse on a crucial issue concerning the bloc's long-range political and military strategy points up the dilemma which confronts the Soviet leaders. As the USSR prepares its position for the resumption of the Geneva talks, it now more than ever must weigh the advantages to be derived from further negotiations and a possible test cessation agreement against the obvious risk that this would impel Peiping to discard the precarious truce so laboriously achieved by the Moscow Communist meeting.

The Chinese almost certainly will view the USSR's course of action at Geneva as the first major test since the Moscow conference of Khrushchev's intentions regarding the whole range of Soviet policy toward

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****INDIAN COMMUNIST PARTY SPLIT**

The Indian Communist party (CPI) remains deeply divided, in spite of a round of meetings in mid-February held by national and provincial leaders to chart the party's future course. Factional differences between moderate and extremist leaders, chronic among Indian Communists since 1947, have been sharply accentuated by the Sino-Soviet ideological dispute.

Successes and Setbacks

Under moderate leadership, the CPI had made significant gains in the 1957 national elections through the use of united-front tactics. With only about 120,000 members, the party polled nearly 10 percent of the 120,000,000 votes cast--twice its 1952 percentage--and increased its representation in Parliament to 29 out of 494 elected seats.

The Communists also won control for the first time of a state government, assuming power in economically distressed Kerala on India's southwest coast. A "mass" membership drive doubled CPI ranks to about 230,000. Similar gains were made in expanding the party's already strong assets in the labor movement. These successes led to the formal adoption of a "peaceful, parliamentary approach to power" at the 1958 party congress in Amritsar.

The failure of the Communist government in Kerala

State to perform effectively within a democratic framework led to its dismissal by New Delhi in July 1959 and election of a non-Communist coalition. This failure strengthened the hand of the radical leaders, who demanded that the party abandon its peaceful policy and revert to more aggressive tactics.

The CPI's fence-straddling position on the Sino-Indian border dispute and support for Peiping's actions in Tibet, which made many Indians aware for the first time of its foreign allegiance, hurt the party badly and brought the factional struggle to the point of an open break.

The moderate leadership--traditionally oriented toward Moscow--joined with the "nationalist" wing of the party in advocating support for the Indian Government's position on the border as necessary to keep the CPI in step with public sentiment. The extreme leftist faction--taking its cue from Peiping--argued that loyalty to "proletarian internationalism" required the Indian party to back Communist China at all costs. The moderates have managed to retain control and to push through several compromise resolutions during the period since 1959, but these have merely smoothed over the differences and have done little to repair the rift in the party leadership.

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Left vs. Right

The Moscow Declaration, issued last November following the conference of world Communist leaders, served only to compound the ideological confusion among Indian Communists. The opposing factions have found little difficulty in interpreting the ambiguous terms of the declaration to fit their own views.

The crux of the argument now is the extent to which the CPI should support Nehru and the "progressive" policies of his Congress party government.

Both the Soviet and Chinese parties reportedly have intervened from time to time in the CPI's factional dispute, and the Chinese have made active efforts to gain support for a harder line since the Moscow conference.

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India is no longer always in the vanguard of the anticolonial Afro-Asian movement. A statement on the border question reaffirmed the party's support for a settlement based on the "traditional" frontier; noting that "each" side had presented a mass of material to prove its case, the party called for continued "direct" negotiations.

With regard to internal political affairs, the national council stressed the need for a "fighting alliance of all democratic forces" to campaign for a united-front government, which in turn would "facilitate" the transition to socialism.

Key party leaders reportedly admit that the resolutions represented compromises manufactured only to hold the party together for the national elections scheduled for February 1962. The radical faction continues to prepare for a showdown fight over policy at the party's national congress--originally scheduled to be held in January but postponed to early April.

Conflict Unresolved

The meetings of the central executive committee and national council from 9 to 22 February not only failed to break the policy deadlock but apparently left the antagonists more embittered than ever. The results of the secret balloting on major policy questions and the tone of the resolutions adopted indicate that the moderate leaders retain a comfortable margin of control.

The party pledged general support of the Indian Government's peaceful, neutralist foreign policy, but complained that

Extremist leaders reportedly have estimated that they will have the support of a majority of the 400-odd delegates, but this seems overly optimistic in view of the fact that the party rank and file has generally backed the moderate and "nationalist" elements in the leadership. Further bitter wrangling can be expected, but the outcome of the convention in April is not likely to differ much from that of the recent executive meetings.

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